

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION

UNITED STATES ex. rel.
HARROLD E. (GENE) WRIGHT

% Verner, Liipfert, Bernhard, McPherson
and Hand, Chartered
1111 Bagby, Suite 4700
Houston, Texas 77002

and

% Welch & Tunnell
P.O. Box 1574
Lufkin, Texas 75402

BRINGING THIS ACTION ON BEHALF
OF THE UNITED STATE OF AMERICA

% J. Michael Bradford
U.S. Attorney for Eastern District of Texas
350 Magnolia Avenue, Suite 150
Beaumont, Texas 77701-2237

and

% Janet Reno
Attorney General of the United States
U.S. Department of Justice
10th & Constitution Avenues, N.W.
Washington, D.C. 20530

vs.

AGIP Petroleum Company Incorporated;
Amerada Hess Corporation; Amoco
Production Company; Anadarko Petroleum
Corporation; Anadarko Production Company;
ANR Production Company; The Anschutz
Corporation; Apache Corporation; Ashland
Oil, Inc.; Atlantic Richfield Company; B.T.

SECOND AMENDED
ORIGINAL COMPLAINT

Date Received and
Placed Under Seal

FILED
U.S. DISTRICT COURT
EASTERN DISTRICT OF TEXAS

APR 2 1998 *CK*

DAVID J. MALAND, CLERK
BY
DEPUTY *Cassidy Kellen*

JUDGE JOHN H. HANNAH, JR.

~~SEAL~~

UNSEALED
3-28-00

CIVIL ACTION NO. 9-98CV30
(Originally filed August 2, 1996
as Civil Action No. C-5:96CV243)

Operating Company; Basin Exploration, Inc.;	§
Bass Enterprises Production Company; BP	§
Exploration and Oil, Inc.; BP Exploration	§
(Alaska), Inc. f/k/a Sohio Alaska Petroleum	§
Company; Bridge Oil Production Company;	§
Cabot Petroleum Corporation; Canadianoxy	§
Offshore Production Co.; Chevron U.S.A.,	§
Inc.; CNG Producing Company; Coastal	§
Oil and Gas Corporation; Coastal Oil and	§
Gas U.S.A., L.P.; Conoco, Inc.; DEK	§
Energy Company f/k/a DEKALB Energy	§
Company; Delmar Operating, Inc.; Elf	§
Exploration, Inc.; Energy Development	§
Corporation; Enserch Corporation;	§
Enserch Exploration, Inc.; Enserch	§
Offshore, Inc.; Equitable Resources	§
Energy Company; Exxon Corporation;	§
Fina Exploration, Inc.; Fina Oil &	§
Chemical Company; Forcenergy, Inc.	§
f/k/a Forcenergy Gas Exploration, Inc.;	§
Forest Oil Company; Freeport-McMoran,	§
Inc.; Freeport-McMoran Oil & Gas	§
Company; Hall-Houston Oil Company;	§
Hamilton Brothers Corporation; Hamilton	§
Brothers Exploration Company; Hamilton	§
Brothers Oil Company; Helmerich &	§
Payne, Inc.; Home Petroleum Corporation;	§
Houston Oil & Minerals Corporation;	§
Howell Petroleum Corporation; Hunt Oil	§
Company; Hunt Petroleum Corporation;	§
Kerr-McGee Corporation; Kirby	§
Exploration Company of Texas; Koch	§
Exploration Company; Koch Industries, Inc.;	§
Louis Dreyfus Reserves Corp.; The Louisiana	§
Land & Exploration Company; LLECO	§
Holdings, Inc.; LLOXY Holdings, Inc.;	§
Marathon Oil Company; McMoran Oil &	§
Gas Company; Meridian Oil, Inc.; Meridian	§
Oil Production, Inc.; Mesa Operating	§
Limited Partnership; MidCon Exploration	§
Company; MidCon Offshore, Inc.; Mitchell	§
Energy Corporation; Mobil Oil Corporation;	§
Mobil Oil Exploration and Production; Mobil	§

Exploration and Producing North America,	§
Inc.; Mobil Producing Texas & New Mexico,	§
Inc.; Mobil Oil Exploration & Producing	§
Southeast, Inc.; Mosbacher Energy Company;	§
Mosbacher Offshore, Inc.; Murphy	§
Exploration & Production Company;	§
Newfield Exploration Company; Norcen	§
Explorer, Inc.; Nuevo Energy Company;	§
Oxy U.S.A., Inc.; Oryx Energy Company;	§
Pacific Offshore Co.; Parker & Parsley	§
Petroleum Company; Pennzoil Company;	§
Pennzoil Exploration and Production	§
Company; Pennzoil Petroleum Company;	§
Petrofina Delaware, Inc.; Petrofina	§
Exploration, Inc.; Petro-Hunt Corporation;	§
Phillips Petroleum Company; Placid	§
Oil Company; Pogo Gulf Coast, Ltd.;	§
Pogo Producing Company; Questar Oil	§
and Gas Company; Quintana Energy	§
Corporation; Quintana Offshore, Inc.;	§
Quintana Petroleum Corporation;	§
The Rosewood Corporation; Rosewood	§
Resources, Inc.; Rowan Companies, Inc.;	§
Rowan Petroleum, Inc.; Samedan Oil	§
Corporation; Santa Fe Energy	§
Resources, Inc.; Shell Consolidated	§
Energy Resources, Inc.; Shell Frontier	§
Oil & Gas; Shell Gas Pipeline	§
Company; Shell Land & Energy	§
Company; Shell Offshore, Inc.;	§
Shell Oil Company; Shell Pipe Line	§
Corporation; Shell Western E & P, Inc.;	§
Snyder Oil Corporation; Snyder Oil	§
Partners, L.P.; Snyder Operating	§
Partnership, L.P.; Southwestern	§
Energy Production Company; Sun	§
Operating Limited Partnership; Taylor	§
Energy Company; Tenneco Gas	§
Production Corporation; Tenneco Oil	§
Company; Tesoro Petroleum Corporation;	§
Texaco Exploration and Production, Inc.;	§
Texaco, Inc.; Torch Energy	§
Associates, Ltd.; Torch Operating Company;	§

Transco Exploration Company; Union	§
Pacific Resources Company; UNOCAL	§
Corporation; Union Oil Company	§
of California; Union Texas Petroleum	§
Corporation; Valero Energy Corporation;	§
Valero Producing Company; Vastar	§
Resources, Inc.; Walter Oil & Gas	§
Corporation; Zapata Corporation; and	§
Zapata Exploration Company; and their	§
respective divisions, subsidiaries and	§
affiliates	§

**SECOND AMENDED COMPLAINT FOR DAMAGES AND OTHER
RELIEF UNDER THE FEDERAL FALSE CLAIMS ACT**

Plaintiff-Relator Harrold E. (Gene) Wright ("Relator"), who brings this *qui tam* action in the name and on behalf of the United States of America as well as on his own behalf against the named Defendants, their respective divisions, subsidiaries and affiliates, alleges the following:

INTRODUCTION

1. The claims asserted here are for fraudulent underpayments of billions of dollars owed as federal royalties on natural gas and natural gas liquids. They involve coordinated and common fraudulent "skimming" devices and schemes and conspiracies by Exxon Corporation and some of the other largest energy companies in the world (including companies owned or controlled by the Governments of Italy, France, Belgium, Holland and Great Britain), to defraud and cheat (1) the United States Treasury and thus all American taxpayers, (2) the Land and Water Conservation Fund, (3) the National Historic Preservation Fund, (4) the U.S. Reclamation Fund, (5) the States and educational funds of California, Texas, Alaska, Arkansas, Louisiana, Alabama, Oklahoma, Colorado, Arizona, New Mexico, Utah, Florida, Kansas, Michigan, Montana, North Dakota, South Dakota, Nebraska, Nevada and Wyoming, (6) more than 30 different American Indian Nations and Tribes,

(7) thousands of individual Indian allottees, and (8) various counties in the foregoing states in which National Wildlife Refuges and National Grasslands are located.

2. Defendants are lessees or interest owners under oil and gas leases from the U.S. Government and Indian Nations or Tribes covering many million acres of federal and Indian lands located in, and off the coasts of, the States named above.

3. All of these leases require Defendants to pay a fraction (usually only 1/8 or 1/6) of the production of natural gas ("gas") and natural gas liquids ("NGL") as a royalty to the U.S., for the benefit of those named above.

4. These leases, and governing laws and regulations, require Defendants to calculate these royalties both at (1) "not less than" the "market value" of the gas and NGL produced, and (2) "not less than" the Defendants' "gross proceeds" from such gas/NGL production. "Gross" legally means "the entire amount, without any deductions."

5. Over a period of more than 20 years, Defendants have systematically employed "skimming" devices to defraud and cheat the U.S. Government and all those named above, by calculating and paying royalties due on gas and NGL at much less than "market value," and at much less than Defendants' "gross proceeds" from such lease production.

6. These "skimming" devices include the following:

A. Defendants sell gas and NGL production to affiliated (often wholly-owned) "marketing" entities at artificially low prices, and pay royalties on the basis of these low prices. The affiliates then re-sell the gas and NGL at higher market prices (often at city-gate prices) on which no royalties are paid. This common industry practice is in flagrant violation of established case law and

the governing regulations. Those expressly require that royalties be calculated and paid on the basis of the higher re-sale prices of such gas/NGL by the marketing affiliates.

B. Gas which is actually processed for the removal of NGL (butane, propane, gasoline, etc.) is falsely reported as "unprocessed" gas on which no NGL royalties are paid. This fraudulent industry practice has become so wide-spread that Defendants now report only about 25% of the gas produced from the federal Outer Continental Shelf ("OCS") as "processed" gas, when in actual fact 100% of such OCS gas is "processed" for the removal and sale of NGL.

C. On the small portions of gas reported as "processed" for removal of NGL, unlawful deductions for processing costs, including non-deductible "marketing" fees, are wrongfully deducted from royalty payments.

D. Unlawful deductions are taken from "gross" royalty payments for transportation, processing and other non-deductible costs.

E. Defendants fraudulently allocate a part of the gross proceeds of gas sales to "supply reservation charges" and other charges on which no royalties are paid.

F. Gas produced during summer months when prices are low is placed into underground storage and sold during the winter months when prices are often more than 100% higher; but royalties are fraudulently underpaid only on the lower summer prices when the gas was stored, not on the much higher winter prices at which the gas was actually sold.

Other fraudulent "skimming" devices are employed, as detailed below.

JURISDICTION AND VENUE

7. This action is brought under the Federal False Claims Act, 31 U.S.C. § 3729 *et seq.*, (the "Act") to recover treble damages, civil penalties, costs of suit, including reasonable attorneys' fees, and to obtain ancillary relief. Relator is authorized to bring these claims on behalf of the United States pursuant to 31 U.S.C. § 3730(b). This Court has jurisdiction over this action under 31 U.S.C. § 3732(a) and 28 U.S.C. §§ 1331 and 1345 because this civil action arises under the laws of the United States.

8. Venue is proper in the Eastern District of Texas under 31 U.S.C. § 3732(a) because one or more of the defendants can be found, resides, or transacts business, in the Eastern District of Texas and because one or more of the acts proscribed by 31 U.S.C. § 3729 occurred in such district.

RELATOR

9. A. Relator is an individual domiciled within the Eastern District of Texas with his residence and place of business in Tyler, Smith County, Texas. Relator has been engaged in the oil and gas/NGL business for more than 50 years. He is the only independent oil and gas operator ever to be elected by the major energy company Defendants to be Chairman of the Washington, D.C.-based Natural Gas Supply Association ("NGSA"). The NGSA was formerly the gas/NGL arm of the American Petroleum Institute (the "API"), the principal industry organization of the major Defendants; the NGSA is now the separate and main industry organization for the major gas/NGL producer Defendants.

B. Relator is a former President and Board Chairman of the Texas Independent Producers and Royalty Owners Association ("TIPRO"), and a former member of the Executive Committee of the Independent Producers Association of America ("IPAA"). Relator is the founder

and first Board Chairman of the Petroleum Industry Security Council, organized to prevent oil field theft and fraud, and now headquartered in Houston.

C. For more than 30 years Relator has owned producing oil and gas royalty interests in the States of Texas, New Mexico, Louisiana, Colorado, Wyoming, Montana and North Dakota, as to which most of the major Defendants herein have underpaid him for his gas/NGL production by one or more of the fraudulent devices described herein. Relator is an original source of the information hereinafter set forth, and he institutes and prosecutes this action for violations of 31 U.S.C. § 3729 for himself and for the United States of America, pursuant to the provisions of 31 U.S.C. § 3730(b)(1).

10. Pursuant to Section 3730(e)(4)(B) of the Act, Relator has provided in writing to the Attorney General of the United States, prior to the filing of his complaint, all information on which the allegations herein are based. This statement of information, disclosing substantially all material evidence and information possessed by Relator relating to the complaint, was also served on the Government with the original complaint as required by Section 3730(b)(2) of the Act. This disclosure statement supports the existence of false claims by the Defendants.

DEFENDANTS

11. **AGIP Petroleum Company Incorporated** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation system, 350 North St. Paul, Dallas, Texas 75201.

12. **Amerada Hess Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul, Dallas, Texas 75201.

13. **Amoco Production Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

14. **Anadarko Petroleum Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

15. **Anadarko Production Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

16. **ANR Production Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

17. **The Anschutz Corporation** is a Kansas corporation duly qualified to do business in Texas that may be served through its registered agent CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

18. **Apache Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

19. **Ashland Oil, Inc.** is a Kentucky corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation system, 350 North St. Paul, Dallas, Texas 75201.

20. **Atlantic Richfield Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul, Dallas, Texas 75201.

21. **B.T. Operating Company** is a domestic corporation that may be served through its registered agent, R. Hobart Evans, III, 2425 Fountainview, Suite 100, Houston, Texas 77057.

22. **Basin Exploration, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

23. **Bass Enterprises Production Company** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, W. Robert Cotham, 201 Main Street, Suite 1600, Fort Worth, Texas 76102.

24. **BP Exploration and Oil, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

25. **BP Exploration (Alaska) Inc.** formerly known as **Sohio Alaska Petroleum Company** is a Delaware corporation that may be served through the Secretary of State. The Secretary of State may serve this defendant via Certified Mail or Registered Mail at 900 E. Benson Blvd., Anchorage, Alaska 99508.

26. **Bridge Oil Production Company** is a Delaware corporation doing business in Texas that may be served through its registered agent, George G. Fenton, 12404 Park Central Drive, Suite 400, Dallas, Texas 75251.

27. **Cabot Petroleum Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

28. **Canadianoxy Offshore Production Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

29. **Chevron U.S.A., Inc.** is a Pennsylvania corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System 400 North St. Paul Street, Dallas, Texas 75201.

30. **CNG Producing Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

31. **Coastal Oil and Gas Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

32. **Coastal Oil and Gas U.S.A., L.P.** is a foreign limited partnership doing business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

33. **Conoco, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

34. **DEK Energy Company**, formerly known as **DEKALB Energy Company**, is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

35. **Delmar Operating, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

36. **Elf Exploration, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

37. **Energy Development Corporation** is a New Jersey corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

38. **Enserch Corporation** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, Michael G. Fortado, Enserch Center, 300 South St. Paul, Dallas, Texas 75201.

39. **Enserch Exploration, Inc.** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, Michael G. Fortado, Enserch Center, 300 South St. Paul, Dallas, Texas 75201.

40. **Enserch Offshore, Inc.** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation system, 350 North St. Paul Street, Dallas, Texas 75201.

41. **Equitable Resources Energy Company** is a West Virginia corporation duly qualified to do business in Texas that may be served through its registered agent at 2900 Grant Building, 330 Grant Street, Pittsburgh, Pennsylvania 15219.

42. **Exxon Corporation** is a New Jersey corporation duly qualified to do business in Texas that may be served through its registered agent, John F. Tully, 800 Bell Street, Houston, Texas 77002.

43. **Fina Exploration, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

44. **Fina Oil & Chemical Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

45. **Forcenergy, Inc. f/k/a Forcenergy Gas Exploration, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, The Prentice-Hall Corporation system, 400 North St. Paul, Dallas, Texas 75201.

46. **Forest Oil Company** is a New York corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

47. **Freeport-McMoran, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

48. **Freeport-McMoran Oil & Gas Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

49. **Hall-Houston Oil Company** is a domestic profit corporation that may be served through its registered agent, Gary L. Hall, 700 Louisiana, Suite 2100, Houston, Texas 77002.

50. **Hamilton Brothers Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

51. **Hamilton Brothers Exploration Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

52. **Hamilton Brothers Oil Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

53. **Helmerich & Payne, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, Republic National Bank Building, Dallas, Texas 75201.

54. **Home Petroleum Corporation** is a Georgia corporation doing business in Texas that may be served through the Secretary of State. The Secretary of State may serve this defendant via Certified Mail or Registered Mail at P.O. Box 130, Calgary, Alberta, Canada.

55. **Houston Oil & Minerals Corporation** is a Nevada corporation duly qualified to do business in Texas that may be served through its registered agent Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

56. **Howell Petroleum Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Robert T. Moffett, 1111 Fannin, Suite 1500, Houston, Texas 77002.

57. **Hunt Oil Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, John R. Scott, 1445 Ross Avenue, Suite 1400, Dallas, Texas 75202.

58. **Hunt Petroleum Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, James L. Parker, 3400 Thanksgiving Tower, Dallas, Texas 75201.

59. **Kerr-McGee Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

60. **Kirby Exploration Company of Texas** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

61. **Koch Exploration Company** is a Kansas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

62. **Koch Industries, Inc.** is a Kansas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

63. **Louis Dreyfus Reserves Corp.** is a Delaware corporation that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

64. **The Louisiana Land & Exploration Company** is a Maryland corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

65. **LLECO Holdings, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

66. **LLOXY Holdings, Inc.** is a Maryland corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

67. **Marathon Oil Company** is an Ohio corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

68. **McMoran Oil & Gas Company** is a Delaware corporation doing business in Texas that may be served through the Secretary of State. The Secretary of State may serve this defendant via Certified Mail or Registered Mail at P.O. Box 6800, Metairie, Louisiana 70009.

69. **Meridian Oil, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

70. **Meridian Oil Production, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

71. **Mesa Operating Limited Partnership** is a foreign limited partnership that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

72. **MidCon Exploration Company** is a Delaware corporation doing business in Texas that may be served through the Secretary of State. The Secretary of State may serve this defendant via Certified Mail or Registered Mail at 110 West 7th Street, P.O. Box 300, Tulsa, Oklahoma 74102.

73. **MidCon Offshore, Inc.** is a Texas Corporation duly qualified to do business in Texas that may be served through its registered agent, John N. Ehrman, 12450 Greenspoint Drive, Suite 1100, Houston, Texas 77060.

74. **Mitchell Energy Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Thomas P. Battle, 2002 Timberloch Place, the Woodlands, Texas 77380.

75. **Mobil Oil Corporation** is a New York corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

76. **Mobil Oil Exploration and Production** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

77. **Mobil Exploration and Producing North America, Inc.** is a Nevada corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

78. **Mobil Producing Texas & New Mexico, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

79. **Mobil Oil Exploration & Producing Southeast, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

80. **Mosbacher Energy Company** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

81. **Mosbacher Offshore, Inc.** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

82. **Murphy Exploration & Production Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

83. **Newfield Exploration Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, The Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

84. **Norcen Explorer, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

85. **Nuevo Energy Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

86. **Oxy U.S.A., Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, The Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 77201.

87. **Oryx Energy Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

88. **Pacific Offshore Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Walter M. Edwards, 453 Texas National Bank Building, Houston, Texas 77002.

89. **Parker & Parsley Petroleum Company** is a Nevada corporation doing business in Texas that may be served through the Secretary of State. The Secretary of State may serve this defendant via Certified Mail or Registered Mail at 600 West Illinois, Suite 103, Midland, Texas 79701.

90. **Pennzoil Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

91. **Pennzoil Exploration and Production Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

92. **Pennzoil Petroleum Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

93. **Petrofina Delaware, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

94. **Petrofina Exploration, Inc.** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 1601 Elm Street, Dallas, Texas 75201.

95. **Petro-Hunt Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Walter P. Roach, 1601 Elm Street, Dallas, Texas 75201.

96. **Phillips Petroleum Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, United States Corporation Company, 400 North St. Paul Street, Dallas, Texas 75201.

97. **Placid Oil Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

98. **Pogo Gulf Coast Limited** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

99. **Pogo Producing Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

100. **Questar Oil and Gas Company** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, John D. White, 910 Travis, Suite 1700, Houston, Texas 77002.

101. **Quintana Energy Corporation** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

102. **Quintana Offshore, Inc.** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

103. **Quintana Petroleum Corporation** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

104. **The Rosewood Corporation** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, Tom S. Bunnell, 100 Crescent Court, Suite 1700, Dallas, Texas 75201.

105. **Rosewood Resources, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Gary Taraba, 100 Crescent Court, Suite 500, Dallas, Texas 75201.

106. **Rowan Companies, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Mark H. Hay, 5450 Transco Tower, 2800 Post Oak Blvd., Houston, Texas 77056-6111.

107. **Rowan Petroleum, Inc.** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 75201.

108. **Samedan Oil Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

109. **Santa Fe Energy Resources, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, D.L. Hicks, 1616 South Voss Road, Houston, Texas 77057.

110. **Shell Consolidated Energy Resources, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Suite 1500, Houston, Texas 77002.

111. **Shell Frontier Oil & Gas, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

112. **Shell Gas Pipeline Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

113. **Shell Land & Energy Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Suite 1500, Houston, Texas 77002.

114. **Shell Offshore, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

115. **Shell Oil Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

116. **Shell Pipe Line Corporation** is a Maryland corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

117. **Shell Western E & P Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

118. **Snyder Oil Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Rodney L. Waller, 777 Main Street, Suite 2500, Ft. Worth, Texas 76102.

119. **Snyder Oil Partners, L.P.** is a foreign limited partnership doing business in Texas that may be served through their registered agent, Snyder Oil Company, 2500 Interfirst Tower, Fort Worth, Texas 76102.

120. **Snyder Operating Partnership, L.P.** is a foreign limited partnership doing business in Texas that may be served through their registered agent, Snyder Oil Co., 2500 Interfirst Tower, Fort Worth, Texas 76102.

121. **Southwestern Energy Production Company** is an Arkansas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

122. **Sun Operating Limited Partnership** is a foreign limited partnership that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

123. **Taylor Energy Company** is a Louisiana corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

124. **Tenneco Gas Production Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

125. **Tenneco Oil Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

126. **Tesoro Petroleum Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

127. **Texaco Exploration and Production, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

128. **Texaco, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, Prentice-Hall Corporation System, 400 North St. Paul Street, Dallas, Texas 75201.

129. **Torch Energy Associates Ltd.** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

130. **Torch Operating Company** is a Texas corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

131. **Transco Exploration Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

132. **Union Pacific Resources Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

133. **UNOCAL Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

134. **Union Oil Company of California** is a California corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas, Houston, Texas 77002.

135. **Union Texas Petroleum Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

136. **Valero Energy Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

137. **Valero Producing Company** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

138. **Vastar Resources, Inc.** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent, CT Corporation System, 350 North St. Paul Street, Dallas, Texas 75201.

139. **Walter Oil & Gas Corporation** is a domestic profit corporation that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

140. **Zapata Corporation** is a Delaware corporation duly qualified to do business in Texas that may be served through its registered agent CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

141. **Zapata Exploration Company** is a Delaware corporation doing business in Texas that may be served through its registered agent, CT Corporation System, 811 Dallas Avenue, Houston, Texas 77002.

FACTS

142. Defendants are lessees or interest owners under oil and gas leases of Federal onshore, Indian and/or Outer Continental Shelf ("OCS") (collectively "federal") lands belonging to or administered by the United States Government.

143. As such, Defendants are legally obligated under the provisions of their leases, and the applicable federal statutes and regulations, to account for and pay to the United States Government the royalties on gas and NGL produced from federal lands as provided in such leases.

144. Most of the gas and NGL produced from federal lands is produced from OCS leases. Most OCS leases provide that "the value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production." Most OCS leases also provide that "the value of production for purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof." Subject to these two separate basic limitations, the OCS leases provide that the value of production shall be "as determined by the Lessor...."

145. The collection of government royalties on federal (including Indian) lands is administered by the Management Minerals Service ("MMS") of the United States Department of the Interior ("DOI").

146. MMS requires each lessee to file a monthly report (MMS-2014) of gas and NGL sales and royalty remittances for the preceding production month. This report form requires the lessee to state the sales values and values at which the gas and NGL royalties have been calculated for royalty payment purposes.

147. Form MMS-2014 bears the following statement:

"WARNING: This is to inform you that failure to report accurately and timely in accordance with the statutes, regulations or terms of the lease, permit, or contract may result in late payment charges, civil penalties, or liquidated damages being assessed without further notification. Intentional false or inaccurate reporting is subject to criminal prosecution in accordance with applicable Federal law(s)."

148. In addition, Form MMS-2014 has a signature line which bears the following statement:

"I have read and examined the statements in this report and agree that they are accurate and complete."

149. 30 C.F.R. Section 206.152 provides the royalty valuation standard for unprocessed gas produced and sold from federal lands. Subsection (b)(1)(i) of such section provides.

The value of gas which is sold pursuant to an arm's-length contract shall be the gross proceeds accruing to the lessee, except as provided in paragraphs (b)(1)(ii) and (iii) of this section." (emphasis added).

Paragraph (b)(1)(ii) provides that if the contract does not reflect the total consideration "actually transferred either directly or indirectly from the buyer to the seller for the gas," then "(v)alue may not be less than the gross proceeds accruing to the lessee, including the additional consideration." (emphasis added).

150. 30 C.F.R. Section 206.153 provides the royalty valuation standard for processed gas produced and sold from federal lands. Subsection (h) of such section provides:

"(h) Notwithstanding any other provision of this section, under no circumstances shall the value of production for royalty purposes be less than the gross proceeds accruing to the lessee for residue gas and/or any gas plant products...." (emphasis added).

151. At least since 1986, the value of gas and NGL production on which the Defendants have paid royalties to DOI-MMS has been less than the true total consideration and "gross proceeds" received by Defendants after allowable deductions.

152. Defendants have had actual knowledge of the gross proceeds actually received by them for their lease production of gas and NGL, and that these gross proceeds have been greater than the prices on the basis of which they have made their royalty payments to the United States Government.

153. Consequently, as to each lease covering federal lands in which any Defendant has had an interest during the past twelve years or more, each MMS-2014 monthly report form filed by such Defendant has knowingly and falsely stated the gross proceeds accruing to such Defendant for its lease production of gas and NGL, and the amounts owed by said Defendant to the United States Government, in order to conceal, avoid or decrease its obligation to pay or transmit money to the United States Government.

154. Item 16 of Form MMS-2014 is entitled "Sales Value." Each such line item 16 on each line of each monthly Form MMS-2014 filed by each Defendant with the federal government during the last twelve (12) years for sales of processed gas which represents less than the gross proceeds accruing to the lessee and its affiliates for residue gas and/or NGL, less any proper allowances, has

been a knowingly false statement, and a separate violation of the False Claims Act for which a civil penalty lies; and Relator seeks to recover from each such Defendant herein the maximum civil penalty for each such separate violation.

155. Item 18 of Form MMS-2014 is entitled "Royalty Value." Each such line item 18 on each line of each monthly MMS-2014 filed by each Defendant with the federal government during the last twelve (12) years for sales of processed gas which represents less than the gross proceeds accruing to the lessee and its affiliates for residue gas and/or NGL, less any proper allowances, has been a knowingly false statement, and a separate violation of the False Claims Act for which a civil penalty lies; and the Relator seeks to recover from each such Defendant herein the maximum civil penalty for each such separate violation.

156. Similarly, each Item 16, "Sales Value," and each Item 18, "Royalty Value," on each line of each monthly Form MMS-2014 filed by each Defendant with the federal government during the last twelve (12) years for sales of unprocessed gas which represents less than the gross proceeds accruing to the lessee and its affiliates on the sale of such unprocessed gas, less any proper allowances, has been a knowingly false statement, and a separate violation of the False Claims Act for which a civil penalty lies; and Relator seeks to recover from each such Defendant herein the maximum civil penalty for each such separate violation.

DEFENDANTS' CONTROL OF INFORMATION

157. Defendants' claim that all their Form MMS-2014 monthly report forms filed with DOI-MMS are confidential, proprietary, and protected from public disclosure because of the proprietary pricing information contained therein. DOI-MMS, by regulations, confidentiality agreements and